

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL****FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

9 7 — 0 8

2. STATE:

MICHIGAN3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

4/1/97

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR

7. FEDERAL BUDGET IMPACT:

a. FFY 1997 \$ N/Ab. FFY 1998 \$ N/A

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, pp. 2, 16, 18, 22,
and 309. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):Attachment 4.19-A, pp. 2, 16, 18
22, and 30.

10. SUBJECT OF AMENDMENT:

Reimbursement to out-of-state inpatient hospitals.

11. GOVERNOR'S REVIEW (Check One):

- ☒
- GOVERNOR'S OFFICE REPORTED NO COMMENT
-
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
-
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman, Jr.

14. TITLE:

Director

15. DATE SUBMITTED:

4-14-97

16. RETURN TO:

Michigan Dept. of Community Health
Medical Services Administration
PO Box 30479
Lansing, MI 48909**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

04/16/97

18. DATE APPROVED:

6/6/01

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

4/1/97

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME:

Cheryl A. Harris

22. TITLE: Associate Regional Administrator
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

APR 16 1997

HCFA-V-DM/MCP

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN**METHODS OF PAYMENT OF REASONABLE COSTS -
INPATIENT HOSPITAL SERVICES**

3. TEFRA Limited Cost Based

State-owned psychiatric hospital are reimbursed for allowable operating costs under Medicare Principles of Reimbursement with TEFRA limits applied.

4. Cost Reimbursement

The operating payment for services provided to Medicaid recipients in distinct part rehabilitation units will be made at full cost using Medicare principles of allowable costs.

5. Capital

Capital costs are reimbursed using a system based on allowable costs with occupancy limitations for some hospitals and units.

6. Graduate Medical Education

Graduate medical education costs are reimbursed by formula and grant as explained in Section III-J.

B. Lesser of Rate or Charges

Total payments for program inpatient services will be limited to the lesser of total payments or full charges, in aggregate, for each hospital. If the aggregate program charges are less than total payments, the difference will be gross adjusted. This review and adjustment will occur coincident with adjustments for capital and direct medical education costs, at the facility fiscal year end.

C. Interim payments will be made in compliance with 42 CFR 413.60 et seq.

TN No. 97-08

Supersedes

TN No. 91-40

Approval _____

Effective Date 04/01/97

State: MICHIGAN

INPATIENT HOSPITAL SERVICES

6. Readmissions

Readmissions within 15 days for a related condition, whether to the same or a different hospital, are considered a part of a single episode for payment purposes.

If the readmission is to a different hospital, full payment is made to the second hospital. The first hospital's payment is reduced by the amount paid to the second hospital. The first hospital's payment is never less than zero for the episode.

Readmissions for an unrelated condition, whether to the same or a different hospital, are considered separate episodes for payment purposes.

7. Percent of Charge Reimbursement

The payment amount for pancreas transplants and for claims that fall into DRG 103, 468, 472, 480 or 481 is total hospital charges times the hospital's cost to charge ratio. These claims are removed from relative weight and DRG price computations.

The ratio is the hospital's Title XIX operating costs to Title XIX total charges as obtained from filed cost reports for fiscal years ending between October 1, 1990 and September 30, 1991.

8. Hospitals Outside of Michigan

Medical/surgical hospitals not located in Michigan are reimbursed under the DRG system. The DRG price is the truncated mean of base prices for hospitals located in Michigan adjusted only for inflation.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS - INPATIENT HOSPITAL SERVICES

5. Hospitals Outside of Michigan

Distinct part psychiatric units not located in Michigan are reimbursed using a per diem rate. The per diem rate is the lesser of the average (weighted by days during the base period) per diem rate plus inflation for distinct part psychiatric units located in Michigan or 110% of the 50th percentile of the base per diem rate plus inflation for distinct part psychiatric units located in Michigan.

Freestanding psychiatric hospitals not located in Michigan are reimbursed using a per diem rate. The per diem rate is the average (weighted by days during the base period) per diem rate for freestanding psychiatric hospitals located in Michigan adjusted only for inflation.

Distinct part rehabilitation units not located in Michigan are reimbursed using a per diem rate. The per diem rate is \$400.

6. Medical/Psychiatric Distinct Part Units

Upon a hospital's written request and assurances to the Medicaid Program, a Medicare recognized distinct part psychiatric unit shall be designated under Medicaid as a medical/psychiatric unit if, in addition to the regular criteria for psychiatric admissions, the admissions criteria for the unit includes requirements that all patients either:

- have a medical condition that makes treatment in a standard psychiatric unit inappropriate or unrealistic; or
- need extensive medical diagnostic evaluation.

On the October 1st immediately after one full hospital cost report year of operation under the conditions specified above, if a hospital has no paid claims from the medical/psychiatric unit in its base year, a special hospital specific per diem rate will remain in effect (with the inflationary updates and disproportionate share adjustments that apply to regular distinct part psychiatric units) until the unit has paid claims and cost data to compute a per diem rate as part of the normal rebasing process.

To compute the special per diem rate, the MSA will use the methodology below based on filed cost report data. The hospital must exclude start up costs in determining the Medicaid Medical/Psychiatric Unit costs.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS -
INPATIENT HOSPITAL SERVICES

3. Michigan State-Owned Hospitals

Reimbursement to Michigan state-owned hospitals is allowable costs under Medicare principles of reimbursement as freestanding psychiatric hospitals exempt from the prospective payment system.

4. Hospitals Outside of Michigan

Medical/surgical hospitals not located in Michigan are reimbursed under the DRG system. The DRG price is the truncated mean of base prices for hospitals located in Michigan adjusted only for inflation. Hospitals which have charges that exceed \$250,000 during a single fiscal year (using the State of Michigan fiscal year-October 1st through September 30th) may be reimbursed using the hospital's actual cost to charge ratio applied to Michigan Medicaid DRGs (reimbursed by percentage of charge). The hospital's chief financial officer must submit, and the MSA must accept, documentation stating the hospital's in-state Medicaid cost to charge ratio. Once accepted, the hospital's actual cost to charge ratio will be applied prospectively to those patient claims and DRGs subject to percentage of charge reimbursement.

TN No. 97-08
Supersedes
TN No. 90-33

Approval _____

Effective Date 04/01/97

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS -
INPATIENT HOSPITAL SERVICES

3. Other Hospitals

If a hospital is not eligible to be a sole community provider and is not located in a rural area, capital reimbursement will be limited if occupancy in the hospital is less than 75% during the hospital's fiscal year. For hospitals with occupancy less than 75%, the Medicaid reimbursement for capital will be:

$$\frac{\text{Occupancy}}{0.75} \times \text{Medicaid Share of Capital}$$

If occupancy is at least 75%, the Medicaid reimbursement for capital will be 100% of the Medicaid share of capital.

4. Hospitals Outside of Michigan

Medical/surgical hospitals not located in Michigan receive a per case add-on amount to cover capital cost.

Freestanding psychiatric hospitals and distinct part psychiatric units of hospitals not located in Michigan receive a per day add-on amount to cover capital cost.

The add-on amounts are an estimate of the statewide average paid to hospitals located in Michigan. Capital payments to out-of-state hospitals are not cost settled.

TN No. 97-08
Supersedes
TN No. 90-33

Approval _____

Effective Date 04/01/97